

Helping Families Save Their Homes Act Could Prevent Hundreds of Thousands of Families from Losing Their Home Without Spending One Federal Dollar

Washington, DC - Congressman Maurice Hinchey (D-NY) last night helped the House pass a bill that brings fairness and hope to American families who are facing foreclosure by empowering bankruptcy judges to modify mortgages to make them more affordable. The Helping Families Save Their Homes Act will put in place a key first piece of President Obama's comprehensive Homeowner Affordability and Stability Plan. The president announced details of his plan yesterday, including a website, www.financialstability.gov, with an eligibility quiz for homeowners struggling to make their payments.

"This legislation presents an opportunity for American homeowners who have worked hard and played by the rules to stay in their homes during these very tough economic times," Hinchey said. "By providing new tools to bankruptcy judges, this measure will help lower the cost of monthly mortgage payments without costing taxpayers a penny. This bill will enable more Americans to keep their homes and bring stability to the housing market."

A record 5.4 million homeowners were either behind on payments or in foreclosure at the end of last year, according to an industry survey. The Helping Families Save Their Homes Act gives bankruptcy judges the ability to modify existing mortgages for families who file for Chapter 13 bankruptcy as an incentive to spur lenders into voluntarily modifying loans. It gives lenders the confidence to modify loans by protecting them from some lawsuits, and it spurs mortgage refinancing by fixing the Federal Housing Administration's Hope for Homeowners Program, reducing fees and offering new incentives for lenders.

Chapter 13 bankruptcy filing is a last resort for many families who are unable to make ends meet in the midst of this recession. It is a strict and intrusive process that forces a family to open their finances up to the scrutiny and management of the courts for up to five years.

"Stabilizing the housing market is critical to restoring the overall American economy," Hinchey said. "This bill charts out a fair and reasonable approach to dealing with the foreclosure crisis by providing new tools for Americans to keep their homes, which will help stabilize falling home prices for everyone."

According to the National Association of Realtors, home prices dropped 12 percent in the last quarter of 2008. More than 14 million homeowners owe more on their mortgage than their home is worth, and they cannot refinance. Many are facing foreclosure through no fault of their own.